ECONOMY

The New Newfoundland and Labrador

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Credit: Festival Coast Tourism Association
Port au Port Peninsula

2002 Highlights

Credit: The Department of Tourism, Culture and Recreation
Northern Lights over Labrador

- Real Gross Domestic Product (GDP) grew by 8.2%, led by growth in offshore oil production. This marked the third time in five years that the province led the country in economic growth.
- Offshore oil production grew by 92.1% and totalled 104.3 million barrels. Terra Nova produced first oil on January 20, 2002 and production for the year totalled 38.5 million barrels. Hibernia's production grew by 21.3% to 65.9 million barrels.
- Employment grew by 1.2% to reach a record 213,900 on an annual average basis. Employment in the services sector reached a record 167,700.
- The unemployment rate increased to 16.9% as labour force growth of 2.2% outpaced employment growth.
- The participation rate rose to a record 58.6% causing the labour force to expand to 257,400 on an annual average basis.
- Real personal income grew by 2.6% and real disposable income grew by 2.3%.
- Inflation averaged 2.4% in 2002 driven by higher tobacco and transportation prices.
- Retail sales grew by 3.2% to $5.1 billion.
- Housing starts reached their highest level since 1991 at 2,419 units (+35.3%). Housing performance was mainly driven by employment gains, higher incomes and low mortgage rates.
- Capital investment declined marginally to $3.25 billion, due in large part to the winding up of Terra Nova construction. The decline was partially offset by gains in several other industries.
- Non-resident tourism visitation grew by 3% to 439,400. Declines in cruise and air visitors were offset by increased auto traveller visitation.
- The value of manufacturing shipments grew by 1.7% to $2.24 billion.
- Total fish landings grew by 2.5% to 267,470 tonnes, the second highest level since 1992. The landed value grew by 5.8% to $515 million.
- Newsprint production declined slightly to about 740,300 tonnes. Shipment value was negatively impacted by lower prices and fell by 20% to $540 million.
- Iron ore shipments increased by 9.9% to 19.1 million tonnes. Shipment value increased by about 5% to $724 million.
- Husky Energy announced in March 2002 that it would proceed with the White Rose development using the Marystown Shipyard as the main construction site in the province. About 300 people were employed at the shipyard by year end.
- The province and Inco reached an agreement to develop the Voisey's Bay mineral deposit, including construction of a processing facility at Argentia. Approximately 250 people were employed by year end.
- The population declined by 0.4%, the smallest decline since population losses started in 1994.

2003 Expectations

Credit: Voisey's Bay Nickel Company Limited
Aerial view of the Voisey's Bay mine and concentrator construction camp

- Real GDP growth is forecast to be 5.4%. The province's growth rate is expected to be among the strongest in Canada.
- Employment is expected to grow by 1.8% to 217,800 and the unemployment rate is expected to decline to 16.1%.
- Employment growth is expected to be led by increased construction activity on the White Rose and Voisey's Bay projects. Direct employment at the Marystown Shipyard related to the White Rose project is expected to be about 700 by year end. Direct employment at Voisey's Bay is expected to average 320.
- Services sector employment is expected to grow in tandem with income gains.
- Real income is expected to grow by 1.9% and real disposable income by 1.7%.
- Inflation is expected to average 2.2%.
- Retail sales are expected to grow by 3.2% to almost $5.3 billion.
- Housing starts are expected to be on par with 2002 at just over 2,400.
- Capital investment is expected to increase by 8.3% to $3.5 billion, the second highest level ever. This increase reflects heightened activity at White Rose and Voisey's Bay as well as more offshore oil exploration.
- Offshore oil production is expected to grow by 31%. An increase in Hibernia's production limit is expected, allowing production to increase to about 78 million barrels in 2003. In addition, the recent increase in Terra Nova's production limit is expected to result in production of almost 59 million barrels from that field.
- Offshore oil exploration activity is expected to increase. Two wells will be drilled in the Flemish Pass area and additional development wells will be drilled at White Rose and Terra Nova.
- Tourism visitation is expected to show moderate growth.
- Fish landings are expected to remain on par with 2002. Increases in shrimp, flatfish and caplin landings are expected to offset lower cod and crab landings.
- Challenges will remain within the groundfish sector. Cod stocks in many areas remain at historical lows and there are indications that reductions could occur in many areas.
- Marginal production increases are expected in newsprint and lumber. Lumber production is also expected to benefit from a resolution of the trade dispute with the U.S.
- Iron ore shipments are expected to increase.
- The population is expected to decline marginally by 0.3% as net out-migration continues to slow.

Global Economic Environment

World economic growth improved last year, led by a modest recovery in North America and a strong performance in China. Shaky confidence, however, undermined growth in South America and Europe while problems in the banking sector continued to plague the Japanese economy.

World growth is expected to improve again this year as stimulative monetary conditions support modest paced recoveries in North America and Europe, and strong growth in China continues. The short term outlook is clouded somewhat by high oil prices and geopolitical tensions, but an early resolution to the Iraq crisis should allow growth to improve. Currently, real GDP is expected to expand by 3.4%.

Growth in Real GDP (%)

	2001	2002	2003f
WORLD	**2.1**	**2.8**	**3.4**
Canada	1.5	3.4	3.0
United States	0.3	2.4	2.5
Japan	-0.3	0.0	0.8
European Union	1.5	0.8	1.8
Developing Countries	2.9	2.8	3.9
Newfoundland and Labrador	1.3	8.2	5.4

Source: Various, available on request

United States

The U.S. economy experienced a series of shocks over the past two years undermining consumer and business confidence. Extremely low real interest rates (i.e., nominal interest rate less inflation) turned negative in recent months and provided tremendous monetary stimulus to the economy last year. This kept the consumer and housing sectors strong. However, business investment remained weak and employment declined. Overall, the economy managed to post a positive performance with real GDP growing by 2.4%, compared to 0.3% in 2001 and an average of 4.0% in the late 1990s.

The outlook for 2003 is clouded by a potential war with Iraq. A quick resolution to this situation should restore consumer and business confidence and allow oil prices to fall, keeping inflation in check. Higher business investment combined with extremely stimulative monetary conditions (Federal Funds rate is currently at 1.25%) and possible further interest rate reductions, should produce a sharp improvement in economic activity in the second half of the year. For the year as a whole, U.S. real GDP is expected to grow by roughly 2.5%.

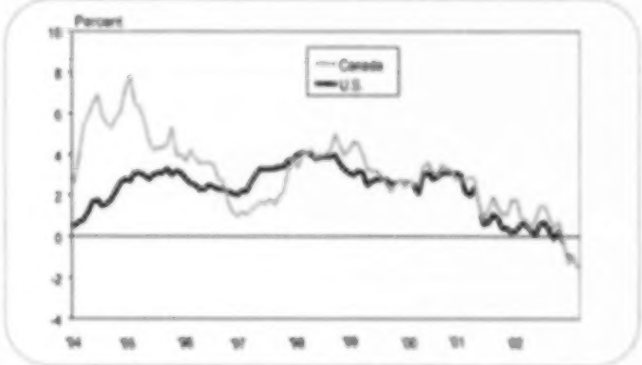
Canada

The Canadian economy has been less affected by recent economic shocks and has outperformed the U.S. every year since 1998. All sectors of the economy continued to do well last year. Low real interest rates kept the consumer and housing sectors strong while increased consumer spending in the U.S. provided the environment for continued export growth. As well, solid fiscal fundamentals allowed for further increases in government spending. All of this activity generated a record number of new jobs and real GDP grew by 3.4%.

In contrast to the U.S., strong growth in the Canadian economy is resulting in inflationary pressures. In response, the Bank of Canada has begun to raise its key interest rate (currently 3.0% in comparison to the U.S. Federal Funds rate of 1.25%). Canadian interest rates are expected to further increase this year as the Bank of Canada attempts to slow the rate of economic expansion and bring inflation under control. Strong economic and fiscal fundamentals should help the Canadian dollar rally to near 70 cents U.S. by year end. This will serve to reduce export competitiveness and further slow economic growth.

Consumer and housing expenditures are expected to continue to perform well, particularly in the first half of the year, and exports should expand in line with growth in the U.S. economy. The Federal government has announced significant spending increases and business investment is expected to grow at a modest pace. Overall, real GDP growth is expected to slow to 3.0% this year, outperforming the U.S. for the fifth consecutive year.

Real Interest Rates Turn Negative



Source: Federal Reserve Board; Bank of Canada; Statistics Canada; Economics and Statistics Branch

Provincial Economic Overview

Review of 2002

The economy recorded a solid performance in 2002, fuelled by strong growth in exports and gains in consumer spending. Real GDP expanded by 8.2% as the real value of exports rose by over 20%.

Export growth was driven by higher oil production. Higher production from Hibernia combined with a stellar first year performance from the Terra Nova field caused total oil production to increase by 92.1% from 2001. Gains were also recorded in the tourism, fishing, and mining industries. Newsprint production declined marginally, however, as global markets remained weak.

Investment was down relative to the previous year and as a result did not contribute to growth in 2002. Investment expenditures remained near historical highs, however, buoyed by the start-up of the White Rose and Voisey's Bay projects.

The strength of the economy in recent years has bolstered consumer confidence which, in combination with employment and income gains, resulted in increased consumer spending, residential investment and housing sales. Retail sales grew by 3.2% last year (2.6% in real terms) after recording substantial gains in 2001. Housing starts grew by 35.3% to 2,419, the highest level recorded since 1991. As well, homes sold through the Multiple Listing Service reached a record level of 3,014.

Employment increased by 1.2% in 2002 to 213,900 person years, the highest level ever recorded on an annual average basis. Labour force growth, however, outpaced employment gains, and as a result the unemployment rate increased by 0.8 percentage points to 16.9%. Employment growth, coupled with wage gains, resulted in real personal income growth of 2.6%, the strongest performance since 1998.

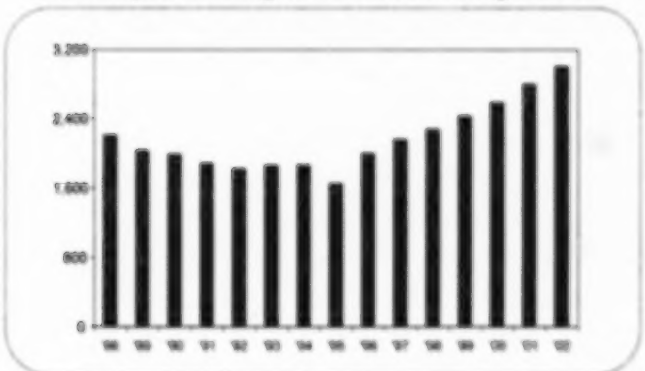
Economic Indicators
Newfoundland and Labrador: 2001-2003

	2001	2002	2003f
GDP at market prices ($m)	13,761	15,606	16,838
% change	-0.1	13.4	7.9
GDP at market prices (97$m)	12,603	13,636	14,376
% change real	1.3	8.2	5.4
Personal Income ($m)	11,528	12,120	12,611
% change	3.6	5.1	4.1
% change real	2.5	2.6	1.9
Personal Disposable Income ($m)	9,094	9,528	9,895
% change	3.8	4.8	3.8
% change real	2.7	2.3	1.7
Retail Trade ($m)	4,943	5,100	5,261
% change	9.3	3.2	3.2
% change real	8.9	2.6	1.2
Capital Investment ($m)	3,279	3,247	3,517
% change	-0.7	-1.0	8.3
% change real	-2.1	-2.6	7.0
Labour Force (000s)	251.9	257.4	259.6
% change	2.6	2.2	0.9
Employment (000s)	211.3	213.9	217.8
% change	3.3	1.2	1.8
Unemployment Rate (%)	16.1	16.9	16.1
Population (000s)	521.2	519.0	517.5
% change	-0.6	-0.4	-0.3
CPI (1997 = 100)	105.8	108.4	110.7
% change	1.1	2.4	2.2
Housing Starts	1,788	2,419	2,419
% change	22.5	35.3	0.0

f: forecast (Government of Newfoundland and Labrador), March 2003
Source: Statistics Canada; Canada Mortgage and Housing Corporation; Economics and Statistics Branch, Department of Finance

The continued improvement in the economy has slowed population losses. While the population continued to fall, the rate of decline slowed to 0.4%, the lowest year-over-year change recorded since population losses started in 1994. The lower rate of decline was the result of less net out-migration which stood at its lowest level since 1993. As of July 1, 2002, the population was estimated at 519,000 persons.

Multiple Listing Service Housing Sales



Source: Eastern Newfoundland Real Estate Board, Central Newfoundland Real Estate Board

Outlook for 2003

Real GDP is forecast to grow by 5.4%. On average, private sector forecasters expect Newfoundland and Labrador to lead the country in economic growth. Growth is expected to be driven mainly by exports and investment, and to a lesser extent, by consumer spending. If achieved, 2003 will mark the fourth time in the past six years that Newfoundland and

Labrador will have led all provinces in terms of real GDP growth.

Export gains are once again expected to be driven by increases in oil production. Modest gains are also projected in tourism as well as major resource-based industries such as forestry and mining. Capital investment is forecast to grow by 8.3% to $3.52 billion, the second highest level ever, led by construction activity on the Voisey's Bay and White Rose projects. Real consumer spending is expected to rise by 1.2%.

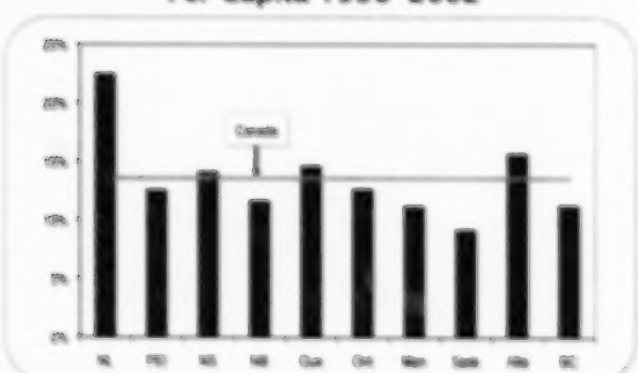
Employment is forecast to grow by 1.8% to 217,800. Employment gains are expected to outpace labour force growth, resulting in a decline in the unemployment rate to 16.1%, on par with 2001 and the lowest level since 1989. Improving labour markets should continue to slow net out-migration, and the rate of population decline is expected to slow to 0.3%.

Feature: Consumer Spending

Consumer spending is the largest component of GDP. It encompasses the purchase of goods such as appliances and groceries; and services such as haircuts and rent. Consumer spending is impacted by several interrelated factors, including growth in disposable income; consumer confidence; interest rates; and the propensity of individuals to take on higher debt levels.

In terms of growth in real per capita consumer spending, this province has outpaced all other provinces in recent years. Between 1996 and 2002, real spending per capita grew by 22.5%, almost nine percentage points higher than the national average. This strong growth resulted in a narrowing of the gap between the province and Canada in terms of real per capita consumer spending. In 1996, consumers in this province spent just over $12,800 per capita (1997$), or 78.0% of the national average. By 2002, the gap had narrowed considerably—consumer spending per capita in this province was 84.1% of the national average.

Change in Real Consumer Spending Per Capita 1996-2002



Source: Economics and Statistics Branch, Department of Finance

Credit: Trudi Finlay
Retail stores on Stavanger Drive, St. John's

Disposable income growth has been a major factor behind the gains in consumer spending. On a per capita basis, real disposable income grew by 14.8% between 1996 and 2002, the second strongest growth among provinces. While Newfoundland and Labrador has historically had lower per capita incomes than the national average, recent gains have allowed a narrowing of the disparity gap with Canada. In 1996, real per capita disposable income was 80.3% of the national average; by 2002, this ratio had climbed to 83.1%.

Income gains help to explain how consumers have been able to finance higher expenditures, however, other factors are also at work. For example, the personal saving rate has declined from 9.6% in 1996 to 1.1% in 2001. This decline is consistent with trends elsewhere in Canada but the drop has been more pronounced in this province. As well, historically low interest rates have enticed many individuals to borrow for current consumption, causing debt loads to rise. Debt as a percent of personal disposable income has risen throughout Canada. In this province, however, debt as a percent of personal disposable income is among the lowest in Canada (fourth lowest) due to the fact that people in this province owe substantially less, on average, on their major asset—their home.

Low savings rates, higher levels of consumer debt, and expected interest rate hikes in 2003 may limit growth in consumer spending in the short term. Nevertheless, consumer spending is expected to continue to grow moderately, in line with gains in disposable income.

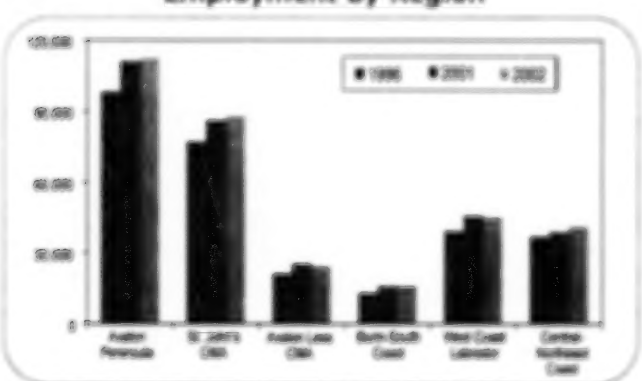
Feature: Labour Markets

Labour markets have experienced a period of sustained growth following structural adjustments in the early 1990s. Between 1996 and 2002, employment grew by 14.4% and the participation rate increased by 6.5 percentage points; these were some of the strongest gains among provinces.

About 80% of employment gains since 1996 have been in service industries. This sector benefitted from increased business activity, tourism and consumer spending. Employment in management, professional, scientific and technical services averaged 16,600 in 2002, roughly double that of 1996. This industry has been driven, in particular, by the establishment of several customer contact centres and by growth in the oil industry. Increased tourism activity boosted accommodation and food services employment by 26.5% over the 1996 to 2002 period, while strong income growth was evident in wholesale and retail trade employment which expanded by 19.4%.

Employment gains have given rise to increased worker confidence in the labour market. As a result, the labour force participation rate has grown significantly since 1996, reaching a record 58.6% in 2002. Growth in the participation rate resulted in the labour force expanding by 11.1%. The unemployment rate declined by 2.4 percentage points over this period to 16.9% in 2002. The unemployment rate decline was moderated by the growth in the labour force.

Employment by Region



Source: Statistics Canada, Labour Force Survey

On a regional basis, all areas have benefitted from employment growth since 1996, with nearly 60% of the gains accruing to areas outside the St. John's Census Metropolitan Area (CMA).

Feature: Demographics

The province's population peaked in 1993 at 580,200 and has declined each year since. As a result, the period since 1993 has been marked by significant demographic change. There are five major trends which are fundamentally re-shaping the size, structure and regional distribution of the population:

- high levels of out-migration;
- lower fertility rates and declining births;
- more deaths;
- population aging; and
- regional population shifts.

Out-migration increased rapidly after 1994 as a result of the groundfish moratoria, government restraint and E.I. reform. Net out-migration (the difference between people coming to and leaving the province) peaked in 1998, but declined in recent years as economic and labour market conditions improved.

Net Out-Migration

Source: Statistics Canada, Economics and Statistics Branch, Department of Finance

Over the 1994 to 2002 period, falling fertility rates and fewer women of childbearing age caused births to decline while population aging resulted in more deaths. Consequently, the natural population increase (the excess of births over deaths) slowed considerably. The natural increase was only 269 in 2002, down dramatically from over 2,400 in 1994.

These trends have resulted in rapid population aging. In 2002, for example, the median age of the population was 38.5 years compared to 32.5 years in 1994.

Most of the population losses have occurred outside the St. John's CMA and the hardest hit areas were those more heavily dependent on the groundfishery. Roughly one-third of the province's population now reside in the St. John's CMA, compared to 30.8% in 1993.

Overall, the rate of decline in the province's population has slowed in recent years and, as a result, a projected decline of 0.3% for 2003 represents the smallest contraction since recent population declines began in 1994.

Construction

Construction activity remained strong in 2002

Credit: Dunn Engineering & Associates Limited
Wharf construction in the new community of Voisey's Bay, Labrador

Overview

Construction investment in the province totalled $2.1 billion in 2002, down 13.8% from 2001. Similarly, employment in the industry dropped by over 5% to average 10,300 for the year. Although spending declined on a year-over-year basis, the overall performance of the industry remained strong in comparison to historical levels. Construction investment has been higher than normal in recent years primarily due to major project activity and the decline in 2002 was largely the result of the conclusion of Terra Nova's development stage. Construction investment in 2002, however, was still the fifth highest level ever recorded.

Recent high levels of spending in the construction industry can also be attributed to a boom in housing starts and a general increase in consumer and business confidence.

Major Projects

Major project activity was lower in 2002 compared to recent years as the start-up of the White Rose and Voisey's Bay projects failed to offset the conclusion of Terra Nova construction. Overall, construction investment in mining and oil extraction is estimated to have declined by 17% in 2002 compared to 2001. Employment on the Terra Nova project declined from 1,600 person years in 2001 (the last year of its development phase) to 900 in 2002 (its first year of production). The White Rose and Voisey's Bay projects employed a combined 550 workers by year-end.

Other Private Sector Construction

In addition to major project activity, other private sector construction investment in recent years has included projects such as the expansion of the Whiffen Head Transshipment Terminal; new retail trade capacity, particularly in St. John's, Mount Pearl, and Corner Brook; and expansion of hydroelectric generating capacity by both newsprint companies.

In total, construction investment in the private sector (including major projects as outlined above) totalled $1.61 billion in 2002, representing a decline of about 16% from $1.92 billion in 2001.

Public Sector Construction

Public sector construction investment has been sustained at high levels in the past several years, driven by increased transportation infrastructure programs; the construction of medical and education facilities; new municipal capital works initiatives; construction of a new hydroelectric facility at Granite Lake; and construction of other facilities such as The Rooms, Mile One Stadium and the St. John's Convention Centre.

Public sector investment expenditures totalled $494.7 million in 2002, a decline of 5.5% from 2001. This decline was due, in large part, to declines in road and airport construction, and the winding up of construction of health, education and other facilities.

Housing Investment

Residential investment reached a record level of $678.8 million in 2002, an increase of 19.4% from 2001. Approximately 70% of residential investment is spent on renovations, and the remaining 30% is allocated toward new housing construction.

Housing Starts

Provincial housing starts increased by 35.3% in 2002 to 2,419 units, the strongest year-over-year growth ever recorded in the province. Last year also marked the third straight year of increased housing starts after hitting a trough of 1,371 starts in 1999.

Housing Starts by Area

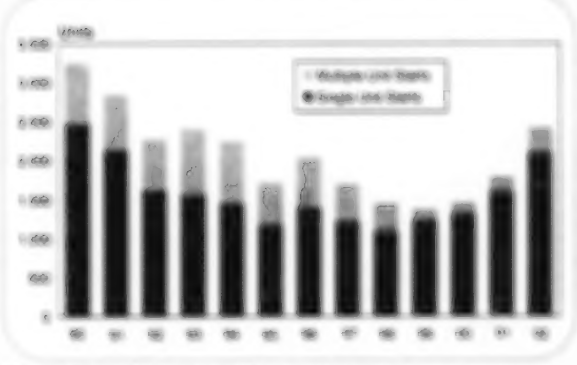
Area	1999	2000	2001	2002
Urban	926	1,029	1,180	1,952
St. John's	807	955	1,029	1,350
Other Urban*	119	94	151	202
All Other Regions	445	430	608	467
Total	1,371	1,459	1,788	2,419

* Includes Corner Brook, Grand Falls-Windsor, Gander and Labrador City

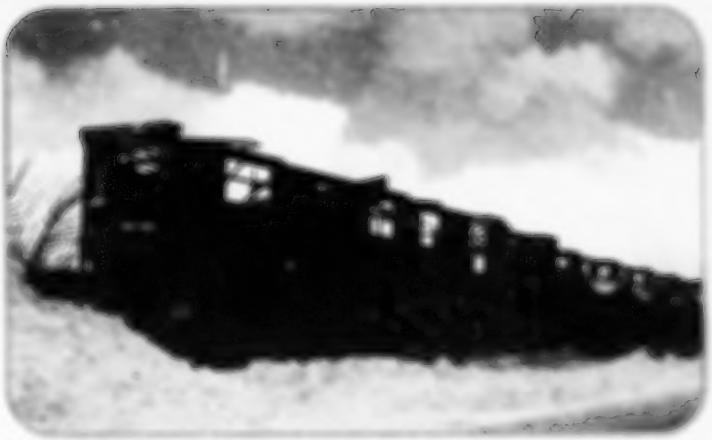
Source: Canada Mortgage and Housing Corporation

Increased demand for new housing was driven by employment and income gains, historically low mortgage rates, strong consumer confidence, and a shortage of inventories in the resale market. Demographics also played a role in the increased demand for residential construction. Population aging means that the average household size is falling and, as a result, the number of households continued to increase while population declined.

Housing Starts



Source: Canada Mortgage and Housing Corporation



Credit: Brady Finlay
Construction of executive townhouses on Southside Road in St. John's

Strong housing start growth was recorded both inside and outside the St. John's Census Metropolitan Area (CMA). Housing starts in the St. John's CMA totalled 1,350 in 2002, the highest level since 1990. This represented an increase of 31.2% in 2002 and accounted for just over one-half of all starts in the province. Housing starts in other major urban centres grew by 33.8% in 2002, and in all other areas by 42.6%.

Single unit construction has been more prevalent in recent years, accounting for 69% of total starts over the 2000 to 2002 period compared with an average of 72% during the 1990s. This shift occurred as the number of single unit starts increased significantly while the number of multiple unit starts declined. The factors driving single unit starts are similar to those for total starts which were discussed previously, while the decline in multiple starts can be linked to relatively high vacancy rates in the rental market during the late 1990s. The trend towards single unit construction is more favourable in terms of economic benefits, given that single unit construction generates more local economic activity per unit than multiple unit construction.

Outlook for 2003

- Private sector construction investment is expected to grow by about 15% to about $1.85 billion led by increased activity at both the White Rose and Voisey's Bay projects.
- Funding of $17.5 million will be allocated to commence Phase III of the Trans Labrador Highway linking Cartwright to Happy Valley-Goose Bay.
- Construction activity related to Phase II of the St. John's harbour clean-up will commence.
- New housing starts are expected to remain on par with 2002.
- An inventory of major projects is outlined at the end of this report.

Oil and Gas

Oil production almost doubled in 2002

Credit: Courtesy of Technip-Coflexip
The *CSO Marianos* will return to waters off the province's coast to begin subsea work on the White Rose oilfield in the summer of 2004

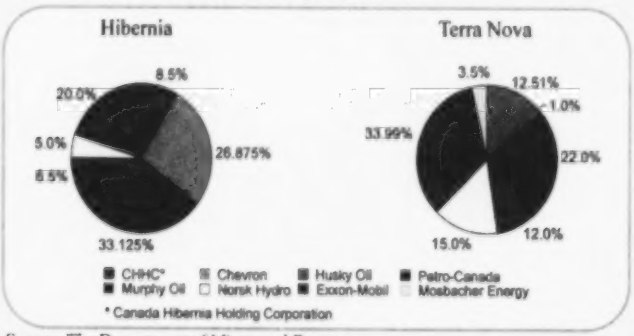
Hibernia and Terra Nova

Growth in oil production in 2002 was impressive. Strong production gains at Hibernia, combined with higher than anticipated oil production from Terra Nova, pushed annual production to 104.3 million barrels, up sharply from 54.3 million barrels in 2001.

Hibernia produced a project high of 65.9 million barrels, up 21.3% from 2001. Since 1997, Hibernia has produced about 235 million barrels out of estimated recoverable reserves of 884 million barrels.

Terra Nova produced 38.5 million barrels of oil in 2002. The field, in fact, set a record for the fastest time from first oil (January 20, 2002) to capacity. Terra Nova also obtained regulatory approval to increase its daily average production from 100,600 to 150,000 barrels. This approval allows for further production rate increases subject to regulatory, administrative and technical criteria being satisfied. The C-NOPB estimates the recoverable reserves for Terra Nova are 406 million barrels.

Ownership Structure



Source: The Department of Mines and Energy

The total value of production from both fields was estimated at $4.1 billion in 2002, almost double the $2.1 billion of 2001. The increase reflects increased oil production as well as a marginal rise in the price of oil. Brent crude oil averaged US$25.06 per barrel in 2002 versus US$24.63 in 2001.

White Rose

White Rose is slated to begin production in late 2005. If the field experiences a quick production ramp up similar to Terra Nova, oil production could peak in 2006. At that time, it is anticipated that Newfoundland and Labrador will account for about one-half of Canada's conventional light crude oil production. A more in-depth discussion of the White Rose project is provided on page 11.

Outlook for 2003

- Oil production is expected to grow by 31% to about 137 million barrels. An increase in Hibernia's production limit is expected, allowing production to increase to about 78 million barrels. The recent increase in Terra Nova's production limit is expected to result in a production increase to almost 59 million barrels.
- Construction on the White Rose FPSO will intensify. Employment at Marystown is anticipated to exceed 700 by year end.
- Hibernia and Terra Nova combined are expected to generate $500-600 million in capital expenditures.
- Production value is expected to be positively impacted by increased production and continued high prices.
- Offshore exploration activity is expected to increase. Two wells will be drilled in the Flemish Pass and additional development wells will be drilled at White Rose, Hibernia and Terra Nova.

White Rose

Project Overview

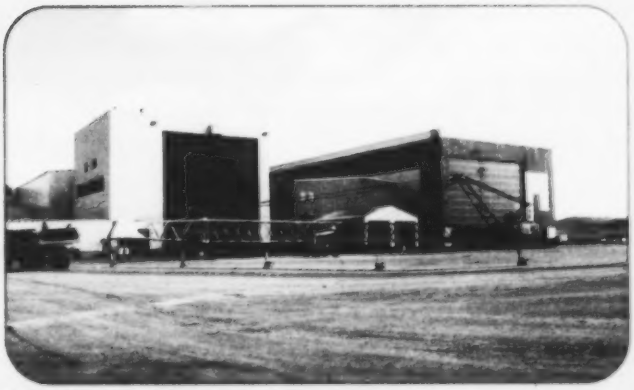
On March 28, 2002 a decision to proceed with the White Rose offshore oil project was announced by the owners (Husky Energy 72.5%, Petro-Canada 27.5%). Development of the project is currently underway and production is expected to commence in late 2005. Recoverable reserves are in the range of 200-250 million barrels, and the operating life of the field is currently estimated at about 15 years. The capital cost of this project is estimated at $2.35 billion with almost $2 billion to be spent before first oil. Total expenditures in 2003 will be in excess of $600 million and will be used for development drilling, excavation of glory holes (i.e., holes in the sea floor to protect production equipment from iceberg scouring) and construction of the floating production, storage and offloading vessel (FPSO).

Most major contracts related to the project have been awarded. These include contracts for the construction of the hull, topsides and turret components of the FPSO; contracts for excavation of the glory holes; and the contract for development of the subsea production systems. The topsides contract is the most significant in terms of local benefits with 80% of the employment associated with the engineering, fabrication and integration of the topsides expected to accrue within the province.

Activity in 2003

Most of the work currently taking place in the province is associated with topsides fabrication. This work includes project engineering, steel fabrication, electrical instrumentation installation and assembly of several topsides modules. Employment at Marystown and Cow Head, where the bulk of this work will occur, is currently about 300 and is anticipated to increase to over 700 by year end. In addition, project engineering and design of the FPSO currently employ over 250 people in St. John's.

In addition to work at the Marystown Shipyard, there are other major activities occurring in 2003. Excavation of glory holes is scheduled to restart in the second quarter in preparation for drilling and subsequent installation of the subsea production system. This subsea system will be designed within the province by Technip CSO Canada Ltd. Development drilling will begin in the third quarter of 2003, using the drill rig *Glomar Grand Banks*. Outside of the province, turret fabrication is scheduled to be completed in mid 2003. Upon completion, it will be shipped from the United Arab Emirates to South Korea where it will be integrated with the FPSO hull. The FPSO will depart South Korea by early 2004 to Marystown for topsides integration.



Credit: Courtesy of Husky Energy
Paint hall (left) next to the Module Assembly hall (right) at Kiewit Offshore facilities in Cow Head

Impacts of White Rose

White Rose will have significant provincial economic impacts. It is estimated that, over the life of the project, White Rose will generate $500 million in provincial royalties and $6.8 billion in provincial GDP.

The White Rose development is important to the future of the local oil industry as it provides a clear signal to industry players that the Newfoundland and Labrador offshore remains an excellent area for investment, and that the industry is expanding. The decision to go forward with White Rose is leading to increased exploration activity and adding to the potential for new discoveries. New discoveries, coupled with the potential development of Hebron-Ben Nevis, considerably enhance the long term future of the provincial oil industry.

Project Milestones

March 2002	Owners' decision to proceed
Q4 2002	Topsides fabrication commenced at Marystown
Q2 2003	Glory hole excavation recommences (suspended in October due to weather)
Q3 2003	Development drilling commences (drilling of wells for oil production)
Summer 2004	Field integration of subsea production system
Q4 2004	Topsides integration and commissioning expected to begin at Marystown
Q2 to Q3 2005	FPSO sails for the White Rose field
2nd Half 2005	First Oil

Oil and Gas Exploration

Evidence of potentially significant hydrocarbon-bearing accumulations on the Grand Banks was first detected by seismic surveys in the early 1960s, and the first offshore exploration well was drilled in 1966. Exploration activity increased in the mid-1970s in response to the 1974 oil price shock which occurred when the Organization of Petroleum Exporting Countries restricted crude oil production and caused prices to nearly triple in that year alone.

Several years later, other events provided even greater incentives for offshore exploration. The most important of these was the discovery of Hibernia, the province's first commercial field, in 1979 which further increased industry's interest in the Grand Banks. Further, additional major oil price increases were experienced in 1979 (+51%) and 1980 (+67%). Crude oil prices averaged roughly US$31.00 per barrel between 1979 and 1985, in comparison to US$12.70 between 1974 and 1978, and US$3.60 between 1970 and 1973.

These price shocks also served to emphasize the vulnerability of the domestic economy to foreign oil supplies. To lessen Canada's dependence on foreign oil, the federal government began subsidizing domestic exploration in 1981. Under the Petroleum Incentives Program (PIP), the federal government paid almost $2 billion in grants for exploration off the coast of Newfoundland and Labrador between 1981 and 1986. Aided by PIP incentives, total exploration expenditures skyrocketed to $3.1 billion in the 1980s compared to $448 million in the 1970s. Several major fields were discovered in the Jeanne d'Arc Basin on the Grand Banks during the period, including Terra Nova, White Rose and Hebron-Ben Nevis, as well as several other smaller, but significant, finds.

Major Discoveries

1979	Hibernia (C-NOPB current recoverable oil estimate: 884 MMbbls)
1981	Hebron-Ben Nevis (C-NOPB current recoverable oil estimate: 414 MMbbls)
1984	Terra Nova (C-NOPB current recoverable oil estimate: 406 MMbbls)
1988	White Rose (Operator's current recoverable oil estimate for South White Rose: 200-250 MMbbls)

Exploration activity subsided in the late 1980s as crude prices declined (see chart) and federal PIP grants were discontinued. Activity remained relatively low in the early 1990s as the industry concentrated on development of existing discoveries.

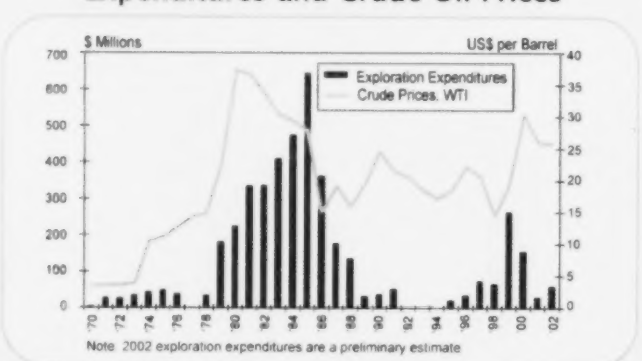
Exploration activity picked up in 1995 and extensive seismic surveys have taken place since that time. The focus is now

Credit: Energy Solutions Group/Alex MacAulay Photographic
The semi-submersible oil rig *Eirik Raude* is currently drilling in the Flemish Pass

shifting to deep water areas as advances in seismic and drilling technology have allowed for exploration in areas that were previously unaccessible, such as the Flemish Pass. The Flemish Pass has water depths in excess of 1,000 metres compared to an average depth of 100 metres in the Jeanne d'Arc Basin. Petro-Canada is drilling two sites in the Flemish Pass in 2003 and industry is optimistic about the potential of this area. Seismic data also suggests that the deep water Laurentian Subbasin, off the province's south coast, has strong development potential. Resolution of the boundary dispute between the province and Nova Scotia in March 2002 has removed jurisdictional barriers to exploration in that area.

Exploration is the key to sustaining the industry over the long term. While only time can tell the future of the industry, the outlook remains positive with current outstanding exploration commitments of more than $470 million.

Offshore Oil Exploration Expenditures and Crude Oil Prices



Source: Canada-Newfoundland Offshore Petroleum Board, Economics and Statistics Branch, Department of Finance

Economic Impact of Offshore Oil : St. John's CMA

Credit: Department of Industry, Trade and Rural Development

Credit: Department of Industry, Trade and Rural Development

The offshore oil sector has expanded rapidly in recent years and has been a major catalyst for economic growth in the province. Substantial benefits have resulted from this expansion and, with the development of White Rose, these benefits will continue to accrue. The tangible benefits of the sector's growth and its effect on the economy are readily apparent in the St. John's Census Metropolitan Area (CMA). In addition to employment and income benefits, the CMA has experienced an expansion of transportation services and infrastructure (e.g., airport and marine port services); commercial office and industrial space; manufacturing activity; education and training programs; and R&D activity and infrastructure.

The CMA has emerged as the primary supply base in the province for the oil sector. National and international oil companies have established regional offices (e.g., Halliburton and Schlumberger as pictured above) and many management functions are now executed locally. Local firms are leading the way in providing support services, and many have developed partnership and joint venture opportunities. These developments have assisted many local firms in adopting best practices and have led, in some cases, to opportunities elsewhere. Over 350 local firms have experience servicing the needs of the offshore oil industry.

GDP Impacts

At the provincial level, production, construction and exploration activity directly accounted for about 18% of real GDP in 2002. In the St. John's CMA, the impact was larger, with oil sector activity directly accounting for roughly 21% of GDP in 2002, up from 14.9% of GDP in 2001, and 8.4% in 1998. The oil sector's contribution to GDP has expanded in line with production increases, exploration and development activity, and increased oil-related transportation services.

The sector's share of the economy is expected to increase further, in line with White Rose construction, increased exploration activity, and further production gains when White Rose comes on stream in 2005.

Labour Market Impacts

Direct oil sector employment in the province in 2002 was about 2,100 persons or 1.0% of total employment. The capital intensive nature of the industry means that GDP impacts are much larger than employment impacts. Employment included roughly 800 persons at Hibernia, 900 at Terra Nova, and the balance on exploration activity, support services and White Rose development. Employment is expected to approach 3,000 in the next couple of years when White Rose construction peaks.

Within the St. John's CMA, direct oil sector employment in 2002 is estimated at 1,500 persons, or 1.7% of total CMA employment, and labour income from these jobs is estimated at over $80 million. When spin-off activity is included, the total employment impact is estimated to be in the range of 5,000 to 6,000 persons.

Major Infrastructure Developments

(Illustrative Listing)

- Whiffen Head Transshipment Terminal
- Cougar Helicopter Terminal
- A. Harvey and Company Offshore Supply Base
- Hibernia Integrated Well Services Warehouse, and Pipeyard and Warehouse
- NEWDOCK Sub-Sea Systems Fabrication Centre
- Pennecon Supply Base

New Education/R&D Infrastructure

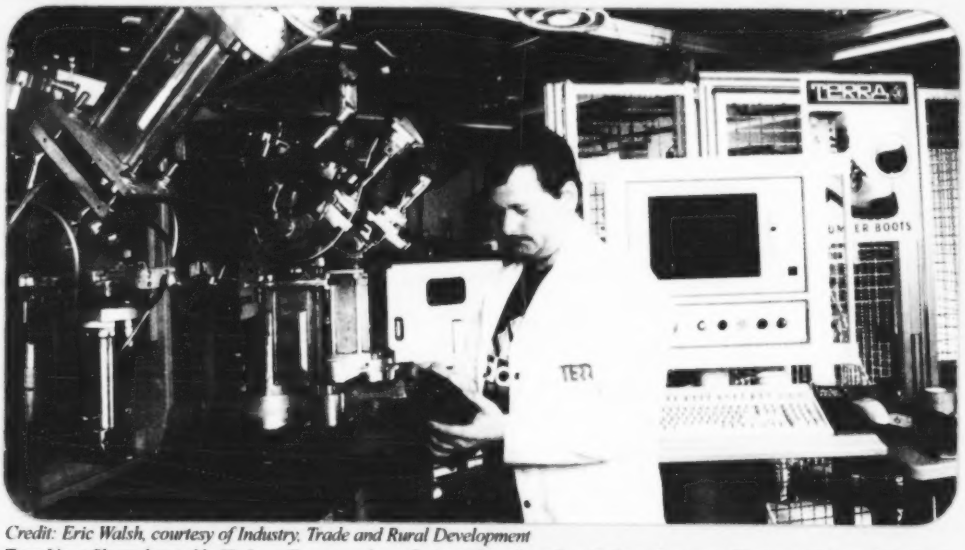
(Illustrative Listing)

- Computer-Aided Design Facility (MUN Faculty of Engineering)
- C-CORE Geotechnical Modeling Centrifuge Facility
- Centre for Offshore and Remote Medicine and Telemedicine
- Institute for Marine Dynamics Wave Generating System
- Marine Institute (MI) Marine Offshore Simulator Training Centre
- MI Offshore Safety and Survival Centre
- College of the North Atlantic Drill Rig Operator Training Equipment

Credit: Department of Industry, Trade and Rural Development
St. Anne's Industrial Park, Paradise

Manufacturing

Manufacturing shipments hit a record high in 2002



Credit: Eric Walsh, courtesy of Industry, Trade and Rural Development
Terra Nova Shoes, located in Harbour Grace, produces footwear brands such as *Dakota Footwear, Wearmaster-Lites, Polar Bear* and *Texas Steer*

Overview

Manufacturing shipments reached a record $2.24 billion in 2002. Manufacturing activity has expanded significantly in recent years as evidenced by growth of 45% in shipment value and 13% in real GDP since 1996. As well, employment grew by 32.3% between 1996 and 2002 (from 13,000 to 17,200). The main driver behind this employment growth was fish processing which accounted for 85.7% of the overall increase.

As a result of increased activity, real manufacturing exports rose by 24% between 1996 and 2001. About 90% of manufactured exports flowed to international markets in 2001, while the balance of exports flowed to interprovincial markets. Three commodities—seafood, newsprint and refined petroleum—represent over 95% of all manufactured exports. The U.S. is the province's largest market, accounting for over 70% of international manufactured exports in 2001.

The growth in manufacturing has been driven by several factors including:

- fisheries diversification;
- new manufacturing activity such as transportation equipment and electronics;
- fewer trade barriers;
- increased labour force training;
- increased use of new technologies;
- new transportation infrastructure;
- strategic planning; and
- a competitive tax regime.

Firm Structure

There were 757 manufacturing firms in the province in 2001, representing 4.3% of all businesses in the province. Manufacturing operations are generally larger, employing more people per firm than businesses in general. About 8% of manufacturers in 2001 employed 100 or more persons versus only 2% for all business combined. As well, only about 66% of manufacturers employed less than 10 workers in 2001 compared to 80% of all firms.

Profile of Manufacturers 2001

	Number	Percent of Total
Number of Manufacturers	757	100%
Number by Economic Zones		
Zones 1-5 (Labrador)	38	5.0%
Zones 6-10 (West Coast)	112	14.8%
Zones 11-14 (Central)	155	20.5%
Zones 15-16 (Burin/Bonavista)	69	9.1%
Zones 17-20 (Avalon)	383	50.6%
Number by Major Category		
Wood products, paper, printing	153	20.2%
Seafood products	150	19.8%
Food (excluding seafood)	85	11.2%
Primary and fabricated metals	83	11.0%
Other	286	37.8%
Number by Employee Size		
1-9 employees	498	65.8%
10-99 employees	196	25.9%
100+ employees	63	8.3%

Source: Statistics Canada, Business Registry Data

Capital Investment

Industry expansion and diversification in recent years has been aided by increased capital investment. Investment increases productive capacity, contributes to improved competitiveness and is an important indicator of business confidence. It can also help firms adopt efficient practices in terms of management, production, and environmental protection. In this province, 25 ISO 9001 and related certifications and two ISO 14001 certifications are currently registered to manufacturers. Certified locations include the three newsprint mills, Terra Nova Shoes, NEWDOCK - St. John's Dockyard Ltd., Air Liquide Canada Ltd. (four certifications), and CHC Composites. In many cases, ISO certification enhances the competitive position of firms and investor perception, and is a prerequisite, at times, for obtaining contracts.

Manufacturing investment in the province has averaged almost $125 million per year in real terms (1997$) since 1996, peaking in 1998 at $169 million. By comparison, average annual real investment in manufacturing between 1991 and 1995 was about $77 million. Since 1996, petroleum refining, newsprint, seafood, and other food manufacturing accounted for 80% of manufacturing capital investment.

Outlook for 2003

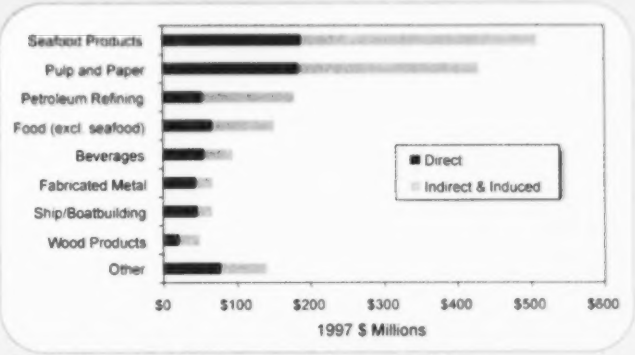
- The value of manufacturing shipments are expected to grow moderately.
- Newsprint and lumber production are expected to increase as market conditions improve.
- Capital investment is expected to be $139 million.
- White Rose construction is expected to provide new opportunities for primary and fabricated metal manufacturing.

Economic Benefits

Four industries—seafood, other food products, newsprint and refined petroleum—dominate manufacturing activity in this province. To better understand the relative importance of the economic benefits of manufacturing, the Department of Finance estimated the impacts of manufacturing on the provincial economy for 2001 in terms of gross domestic product, employment and labour income.* The total economic impact is defined as the sum of direct, indirect and induced impacts:

- **Direct impacts** represent the labour income, business profits, and employment generated by manufacturers.
- **Indirect impacts** represent the additional income, profit and employment that is generated when firms in other industries supply goods and services to manufacturers.

Manufacturing Real GDP Impacts, 2001



Source: Economics and Statistics Branch, Department of Finance

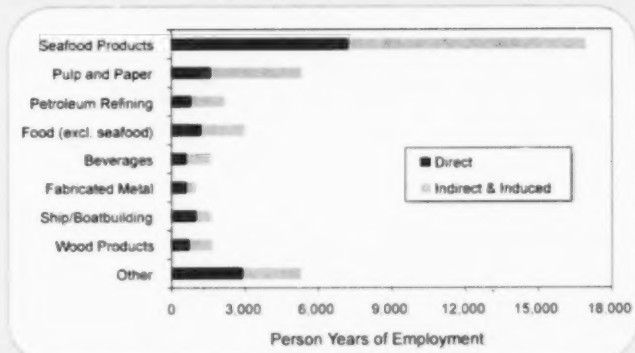
- **Induced impacts** represent the wealth and employment generated when direct and indirect employees and business owners spend their incomes.

Gross Domestic Product: The direct real GDP impact of manufacturing was $732.2 million in 2001, or 6.4% of total provincial GDP. The total impact was $1.69 billion, or 14.8% of total economic activity.

Employment: Direct employment in manufacturing was 16,400 person years in 2001, or 7.8% of total provincial employment. The total employment impact was 38,600 person years, or 18.3% of total employment for the province.

Labour Income: Direct real labour income associated with manufacturing was $560.1 million in 2001, or 9.1% of total labour income for the province. The total real labour income impact was $1.09 billion, or 17.7% of the provincial total.

Manufacturing Employment Impacts, 2001



Source: Economics and Statistics Branch, Department of Finance

* This information is contained in a study, *Profiling the Manufacturing Sector in Newfoundland and Labrador*, prepared for the Canadian Manufacturers and Exporters, Newfoundland and Labrador in 2003. The report is accessible at www.economics.gov.nf.ca.

Mining

Mineral shipments increased by 5% to $792 million in 2002

Credit: Voisey's Bay Nickel Company Limited
Preliminary drilling and blasting at the Voisey's Bay quarry, September 2002

Overview

The mining industry began to show signs of recovery in 2002. The total value of mineral shipments was estimated at $792 million, an increase of 5% from 2001. Direct employment in the industry was about 2,600 person years, on par with the previous year.

Iron Ore

Iron ore is the province's single most important mineral product. The volume of iron ore shipments totalled 19.1 million tonnes in 2002, an increase of 9.9% from 2001. Value was estimated at $724 million, representing an increase of about 5%. Value grew a little slower than volume because prices were lower in 2002 than 2001. Iron ore accounted for 91% of the total value of mineral shipments in 2002.

The IOC mine at Labrador City shipped approximately 11.5 million tonnes of pellets and 3.2 million tonnes of concentrate in 2002 which, combined, represented growth of 12.5% from 2001. Employment at IOC in 2002 was approximately 1,400 persons, a slight decline from the previous year. Recent changes in world steel markets have caused iron ore producers to face strong competitive pressures. As a result, IOC announced in 2002 that it would undertake significant cost and productivity improvements which are expected to reduce annual operating costs by $100 to $120 million, and which will result in a workforce reduction of 236 positions. It is anticipated that most of this reduction can be achieved through early retirement incentives.

Wabush Mines shipped about 4.4 million tonnes of concentrate last year, a decline of 1.7% compared to 2001. Employment at Wabush Mines fell by approximately 30 to about 375 persons in 2002 as the company responded to market challenges by downsizing its workforce late in 2001.

Other Minerals

Several other mineral products were produced in 2002, including gold, silver, pyrophyllite, limestone and gypsum. Together, these minerals contributed about $70 million to mineral shipments and created about 650 direct person years of employment.

Exploration

Mineral exploration activity increased in 2002. The number of claims staked more than doubled to 33,000 compared to 16,000 in 2001. The associated exploration expenditures were estimated at $36 million, an increase of $7 million from 2001. The majority of exploration was concentrated on gold and base-metals in central and eastern Newfoundland; nickel at or near Voisey's Bay; and iron ore in western Labrador.

Outlook for 2003

- The value of mineral shipments is expected to increase, led by higher iron ore shipments and prices.
- Development of the Voisey's Bay project is expected to proceed on schedule.
- Exploration activity is expected to decrease marginally in 2003.

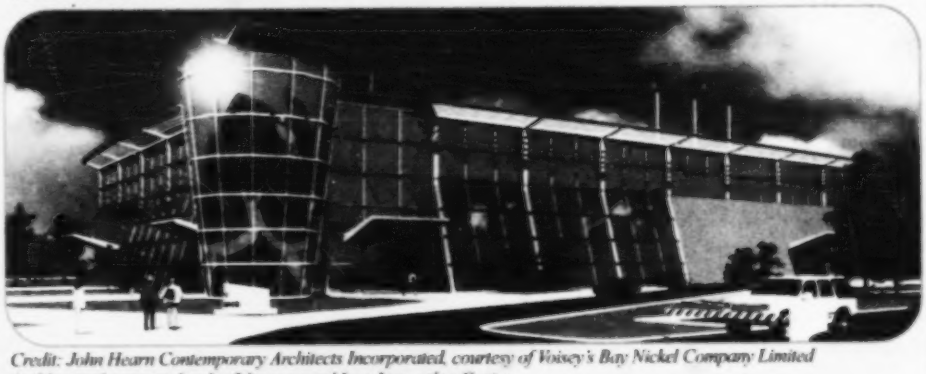
Voisey's Bay Project

The Voisey's Bay Project was given official sanction on October 7, 2002 with the signing of the Development Agreement between the provincial government and Inco, the project developer. Inco will construct a mine and mill/concentrator at Voisey's Bay in Labrador and a nickel processing facility at Argentia. The processing facility will be preceded by a hydrometallurgical (hydromet) research and development program that will see the construction of a demonstration plant at Argentia. Inco will also establish an Innovation Centre at the St. John's campus of Memorial University of Newfoundland.

Development and operation of the project will provide substantial economic benefits to the province. Twelve contracts, totalling more than $30 million, were awarded in 2002 to provide the necessary infrastructure for development of the mine, including construction of an airstrip, a dock and a road network. At Argentia, construction commenced on the Argentia Project Office and a $2 million office/warehouse. In addition, research began on the hydromet program and on design work for the Inco Innovation Centre at Memorial University. Project activity will ramp up in 2003 with increased construction at the mine site in Voisey's Bay, commencement of construction of the Innovation Centre, and continued effort on the research and development program at Argentia.

Direct employment in 2003 is expected to be 320 person years. In total (including spinoffs), the project is expected to add 750 person years of employment in 2003 and $60 million in real GDP. By 2015, commercial production at Argentia will reach capacity, and at that time, direct annual impacts will include over 1,000 person years of employment and $500 million of real GDP. Total impacts at that time, which include both direct and spinoff impacts, are projected to be 3,000 person years of employment (roughly 1.5% of total) and $600 million in real GDP (roughly 4% of total).

Innovation Centre



Credit: John Hearn Contemporary Architects Incorporated, courtesy of Voisey's Bay Nickel Company Limited
Architectural concept sketch of the proposed Inco Innovation Centre

Innovation Centre Facts

- Centre to be established at Memorial University, St. John's campus by Inco and Memorial.
- Construction will begin in the spring of 2003
- Centre will focus on education and research in mining, exploration and metallurgical processing techniques
- 50-60 students will receive world-class education, research and training related to the mining industry each year
- Inco will work with Memorial University to develop related hydromet courses to ensure a supply of qualified engineers, metallurgists and technicians for Voisey's Bay Nickel Company Limited

Voisey's Bay Timelines

2003

- Construction begins on open pit mine and mill/concentrator processing plant at Voisey's Bay
- Construction begins on Innovation Centre in St. John's

2004

- Completion of Innovation Centre
- Design, engineering and construction of demonstration hydromet processing plant in Argentia

2006

- Concentrate production begins
- Argentia demonstration hydromet plant receives first concentrate

2007

- Testing and optimization of hydromet process at Argentia

2008

- Decision to construct a commercial scale hydromet concentrate processing plant or a hydromet matte processing plant

2009-2011

- Construction of commercial nickel processing facility at Argentia

2011

- Commencement of commercial processing in Argentia

2018

- Underground mine development and expansion of mill/concentrator processing plant

Fishery

Volume of fish landings second highest since 1992

Credit: Brian Bursey, courtesy of the Newfoundland and Labrador Statistics Agency
Quinlan Brothers Ltd. fish plant, Bay de Verde

Industry Performance

The fishing industry recorded a solid performance in 2002. Landings grew by 2.5% (to 267,470 tonnes) led by a 6.9% gain in shellfish (to 156,840 tonnes) and a 10.3% gain in pelagics (to 50,750 tonnes). These gains more than offset a 12.2% decline in groundfish landings (to 59,880 tonnes).

Higher landings combined with higher prices for some species, resulted in a 5.8% gain in landed value (to $515 million). This marked the third time in the past four years that the value of landings exceeded $500 million, a level not attained prior to 1999. These results compare quite favourably to the average landed value of $260 million for the ten years prior to 1999.

Mainstays of the Industry

Industry growth since 1992 has been driven by crab and shrimp. As well, cod remains important to the industry even though stocks remain weak and commercial quotas are declining. Taken together, these three species accounted for 59.4% of total landings in 2002 and almost 80% of the landed value.

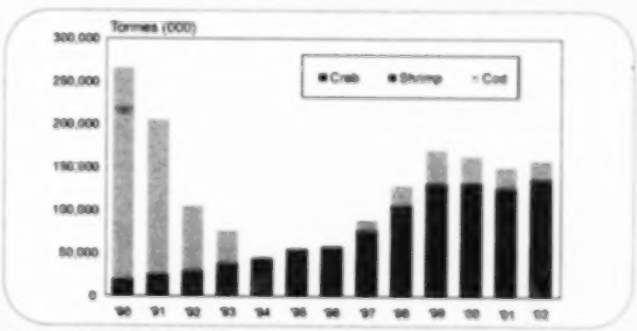
Crab landings totalled 59,400 tonnes in 2002, up 4.8% from 2001. Shrimp landings also rose, a reflection of increased fishing effort. Roughly 78,500 tonnes of shrimp were harvested (about 98% of the quota), an increase of 11.0% over 2001. This contrasts with 2001 when supply imbalances in the market caused prices to fall and fishers to leave some quota unharvested. Cod landings, after making a bit of a comeback in recent years, fell from 23,700 tonnes in 2001 to 20,900 tonnes in 2002, the result of a reduced commercial quota in NAFO area 3Ps.

Diversification

While the performance of the fishery is driven by these three species, there are about 35 other species harvested. In recent years, considerable effort by all stakeholders has been directed at identifying alternative species for commercial activity and at assessing market potential. This process, while intensive, long term in nature and requiring considerable investment, has had its successes.

For example, prior to the 1990s, several shellfish (e.g., clams, quahaugs, Icelandic scallops, whelks, and rock crab) and groundfish species (e.g., grenadier and skate) were not harvested in any meaningful way. However, landings in 2002 from these species combined totalled over 20,000 tonnes and generated roughly $16 million in landed value. While these impacts are small in terms of overall performance, they generate considerable impacts in some regions.

Crab, Shrimp and Cod Landings



Source: Department of Fisheries and Aquaculture

Seal Fishery

The harp seal population is strong, having grown from two million animals in the early 1970s to over 5.2 million by 1999. Seal quotas have increased in line with resource availability as well as growth in market opportunity. In 2002, almost 300,000 seals were harvested compared to an average of 190,000 between 1999 and 2001. The price paid to sealers also increased over this period, from about $24 per seal in 2000 to $68 in 2002. The seal fishery employs upwards of 4,000 sealers and 400 fish processing workers annually.

Aquaculture

Output from fish farming last year was at a record high. Total production in 2002 is an estimated 4,663 tonnes with an associated production value of $20.5 million. Salmon and steelhead trout accounted for 59% of production and mussels accounted for about 36% of production. The balance (about 5%) is accounted for by cod.

Employment and Incomes

The number of people employed in the fishing industry averaged 16,200 in 2002. While this was up from 2001 and better than the levels observed in the mid-1990s, it remains lower than levels recorded prior to 1992. At the same time, the value of fish landings has increased, meaning that fishery workers are earning more on average. Taxfiler data for 1991 (just prior to the imposition of fishing bans on many groundfish species) and 1999 (the latest year available) indicates that the number of people deriving income from the fishery declined by 8.4%, whereas total incomes (from all sources) increased by 37.4%.

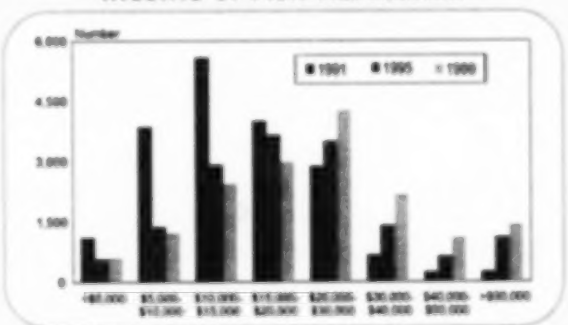
Taxfiler data encompasses four major categories: earnings in the fishery, earnings outside the fishery, Employment Insurance (E.I.) payments, and other personal transfers. The two largest categories are earnings in the fishery and E.I. payments. Earned income from fish related activities more than doubled from $170.1 million in 1991 to $374.4 million in 1999. E.I. payments, on the other hand, declined from $241 million in 1991 to $197.4 million in 1999. Fishers' and processors' average annual incomes from all sources increased from $15,046 in 1991 to $22,572 in 1999—a gain of 50%.

Outlook for 2003

- Total landings are expected to remain on par with last year.
- Cod landings are likely to be constrained as reductions could occur in many areas.
- Market conditions are also expected to remain on par with 2002.

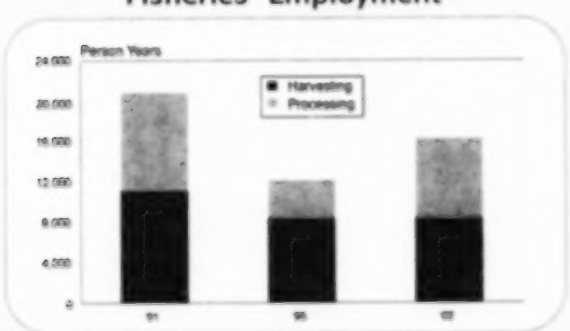
As shown in the following graphs, there were fewer harvesters and fewer processing workers in lower income ranges in 1999 compared to 1991. Conversely, the number of workers in higher income groups increased considerably. For example, the combined number of harvesters and processors with incomes of $30,000 or more almost tripled to over 6,500 in 1999. About 75% of the increase in the high income categories accrued to fishers. On an overall basis, over 81% of fishery workers in 1991 had incomes of $20,000 or less; by 1999, those with incomes of $20,000 or less accounted for only 55% of the total.

Income of Fish Harvesters



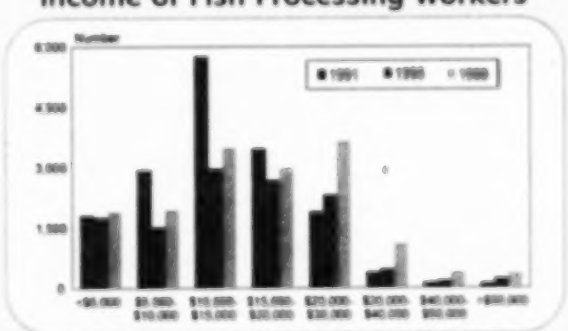
Source: Newfoundland and Labrador Statistics Agency, special tabulation

Fisheries Employment



Source: Labour Force Survey, Statistics Canada

Income of Fish Processing Workers



Source: Newfoundland and Labrador Statistics Agency, special tabulation

Forestry and Agrifoods

The value of newsprint shipments declined as a result of weak markets

Credit: Department of Forest Resources and Agrifoods
Agrifoods—The Mori Crusher clears farm land and preserves soil nutrients by mulching shrubs and small trees back into the soil

Forestry

Newsprint

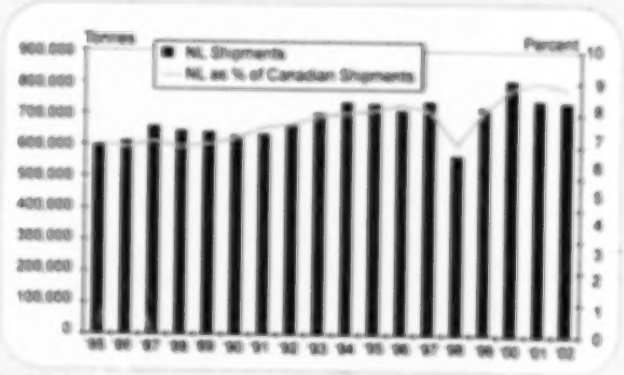
The combined productive capacity of the province's three newsprint mills currently stands at around 810,000 tonnes. Abitibi-Consolidated operates a two-machine mill in Grand Falls-Windsor with a peak annual capacity of approximately 210,000 tonnes and a one-machine mill in Stephenville with a peak capacity of around 180,000 tonnes per year. Most of the newsprint produced at Stephenville is destined for European markets, while the bulk of the Grand Falls-Windsor product is sold in Central and South America. The third mill, located in Corner Brook and operated by Kruger Inc., is a four-machine facility with a peak annual capacity of approximately 420,000 tonnes. The majority of the newsprint produced at the Corner Brook mill is exported to the United States. In total, the province's mills produce about 9% of all newsprint produced in Canada and about 2.5% of world production.

Market conditions for newsprint were weak in 2002, and this was reflected in reduced demand and lower prices in world commodity markets. Despite these unfavourable conditions, the provincial mills were able to maintain production at levels close to those of 2001. A total of 740,300 tonnes of newsprint was shipped, down only 0.7% from the 745,800 tonnes shipped in 2001.

The value of provincial shipments fell dramatically last year, a reflection of low product prices. The estimated value of shipments in 2002 was $540 million compared to $676 million in 2001. Lower than normal newsprint consumption over the past two years was responsible for driving prices down. In 2002, newsprint prices fell to their lowest level in 10 years, averaging US$465 per tonne, down more than 20% from US$585 per tonne in 2001.

In response to lower market prices, Abitibi-Consolidated halted production at its Grand Falls-Windsor mill on four separate occasions during 2002, for a cumulative total of more than eight weeks of downtime. The province's other two mills, however, did not experience any market related downtime in 2002.

Volume of Provincial Newsprint Shipments and Percent of Canadian Shipments



Source: Department of Forest Resources and Agrifoods, Economics & Statistics Branch, Department of Finance

Newsprint production provides significant benefits to the provincial economy. Including both direct and spin-off

benefits, newsprint accounted for 3.8% of provincial real GDP and 2.5% of employment in 2001.

Lumber

Lumber production has increased substantially over the past decade, primarily as a result of increased demand from the U.S. which imports approximately 50% of provincial production.

Since 1992-93 lumber production has more than tripled, reaching a record 144.2 million board feet in 2001-02. Most of this production growth has occurred in the Notre Dame Bay area (+144% since 1995-96) as well as on the Bonavista Peninsula (+166% since 1995-96). Notre Dame Bay is the largest regional producer, accounting for over 40% of total provincial lumber production.

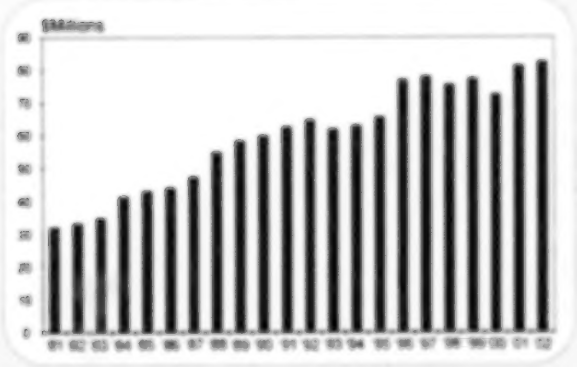
The average price of 2x4 spruce, pine and fir lumber in the U.S. declined by 5.2% in 2002 to US$237 per thousand board feet (tbf). Lumber prices were also volatile last year and ranged between US$296 per tbf in March and US$185 in November. Interim U.S. tariff measures introduced last spring following the expiry of the 1996 Softwood Lumber Agreement constrained production gains and profits of local producers over the past year.

Agrifoods

Farm Cash Receipts

Total farm cash receipts increased by 1.7% in 2002 to $82.7 million. Growth was broadly based with increased receipts from egg production (4.5%), floriculture and nursery products (6.8%), dairy products (3.0%) and vegetables (7.6%).

Farm Cash Receipts



Source: Statistics Canada

In recent years, the largest categories of agricultural products in the province are dairy products (accounting for 34% of total receipts), hens and chickens (20%), eggs (13%), and floriculture and nursery (13%).

Labrador Agriculture

Labrador is emerging as a diverse and sophisticated agricultural region utilizing new technologies and innovative production management practices that allow farmers to exploit the full potential of the land. Currently, there are 12 commercial farm operations in Labrador that produce vegetables, nursery crops, and fur. There are substantial opportunities for industry expansion in the area, particularly in the Happy Valley-Goose Bay region. For example, Labrador has a vast resource of wild berries such as bakeapples and partridgeberries that have good commercial potential.

To facilitate growth in the region, Government, in partnership with industry stakeholders, is developing a Northern Agrifoods Strategy. One of the region's main challenges relates to soil quality. Crops grown on sandy soils with low organic matter, which is frequently the case in Labrador, are susceptible to nutrient leaching and drought stress. This challenge has been met with the utilization of the *Meri Crusher* (shown on opposite page), a machine which mulches shrubs and small trees back into the soil and replaces more destructive traditional land clearing practices. Additionally, crop rotations with green manure crops have also helped to increase soil organic matter. As a result of this recent research and development work, seven farms in the Happy Valley-Goose Bay area are now successfully producing healthy stands of forage, laying the foundation for the growth of the livestock industry in this region.

Outlook for 2003

- Newsprint production is expected to rise by 1.3%.
- Newsprint prices are expected to increase to around US$500 per tonne on average.
- Lumber production is expected to experience modest gains with a settlement of the Softwood Lumber Dispute.
- Lumber prices are expected to remain on par with 2002.
- Some downtime is expected at Abitibi-Consolidated's Stephenville mill as a result of wood supply constraints.

Tourism

Provincial tourism industry outperformed national industry

Credit: Long Range Regional Economic Development Board
Campbells Creek, Port au Port Peninsula

Performance in 2002

The provincial tourism industry recorded a solid performance in 2002. Preliminary estimates indicate that the number of non-resident travellers totalled approximately 439,400, a gain of about 3% from the previous year. Non-resident expenditures were up by 5% to an estimated $304.5 million. A substantial rise in the number of visitors travelling by road was more than enough to offset decreases in the number of visitors travelling by air and cruise ships. By comparison, Canadian tourism activity is estimated to have remained virtually unchanged from the previous year.

Significant increases in non-resident automobile traffic (14%) is indicative of the growing importance of this segment of the market in the post September 11th era, and the preference of people to travel to destinations familiar and in close proximity. The largest portion (approximately 75%) of non-resident visitors originate from Ontario and the Maritimes while another 15% come from the United States. The events of 2001, coupled with a sustained marketing effort in the province's main markets, are thought to have contributed to last year's performance.

While both air traffic and cruise ship visitors were down compared to last year, there were still positive aspects for both of these sectors. Air traffic declined by about 6% last year due, in large part, to the increased cost of flying, reduced airline capacity and a shift by some visitors to auto travel. However, international air travel, increasingly linked to business travel in the oil industry, grew significantly from 2001. Unique cruise ship visitors fell by 6% from levels recorded in the previous year, however, the actual number of cruise ship port calls and associated passenger visits were up. As well, the number of people attending meetings and conventions in 2002 rose compared to the previous year and approached the record setting performance of 1997.

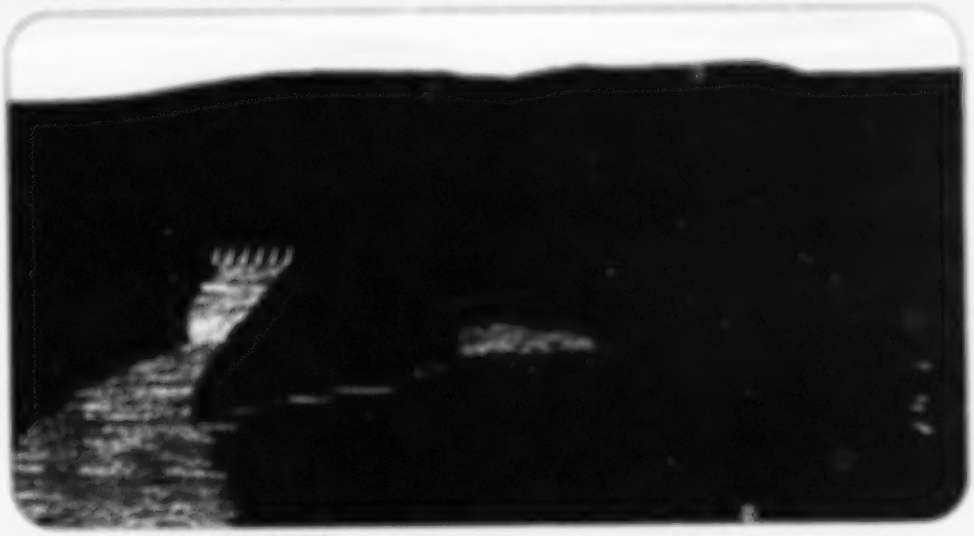
The province's tourism product appears to be well positioned to meet the changing tastes of the travel market. In the North American market, both the average age and income of the population is increasing. This, combined with a desire for new and unique destinations, is providing opportunities for Newfoundland and Labrador. For example, nature and cultural destinations are growing in popularity and the province fits well in this niche.

Outlook for 2003

- The outlook for tourism is optimistic. Growth is anticipated in non-resident visitors from other provinces.
- However, the continued volatility in air travel coupled with the rising cost of fuel may moderate gains in both air and auto travel to the province.

The Lower Churchill Hydro Development

The Churchill River in Labrador is recognized as a significant supply of renewable energy that has yet to be fully developed. Two potential sites, Gull Island and Muskrat Falls, are located downstream from the existing 5,428 megawatt facility at Churchill Falls. Gull Island, the larger and more economically attractive of the two, has the potential to provide an estimated 11.9 million megawatt hours of clean, renewable energy annually. Muskrat Falls' annual production could contribute an additional 4.8 million megawatt hours of energy. Comparable production from a coal generation supply would emit almost 15 megatonnes of carbon dioxide annually.



Credit: Newfoundland and Labrador Hydro
Artist rendition of proposed Gull Island Hydro Development

On August 1, 2002, the Premiers of Newfoundland and Labrador and Québec jointly announced that their respective governments had reached a consensus on the principles to guide formal negotiations for development of the Gull Island project. Negotiations between the Governments of Newfoundland and Labrador and Québec continued throughout the fall. On a concurrent basis, negotiations were ongoing with the Innu Nation on an impact and benefits agreement related to the Gull Island development. Significant progress was made in both sets of negotiations, however, final agreements have not yet been reached.

On December 16, 2002 the Government of Canada ratified the Kyoto Protocol. The federal government is now in the process of developing climate change policies and engaging in consultations with the provinces on policy implementation to achieve lower greenhouse gas emissions. The Government of Newfoundland and Labrador recognizes that development of new hydroelectric resources in Labrador could contribute to achieving this national objective.

In the context of the current lack of clarity regarding federal climate change policies, particularly in relation to new hydro developments, the Gull Island negotiations with both the Government of Québec and Innu Nation have been put on hold. The Governments of Newfoundland and Labrador and Québec have agreed that a pause in negotiations is necessary while officials explore the implications of climate change policies, possible incentives for new hydro development and a potential role for the federal government in the Lower Churchill development. This pause in negotiations and the resulting postponement in project field work is expected to delay the project release date for up to one year to 2007. The construction phase is expected to take five and a half years and create several thousand person years of employment.

The Lower Churchill Hydro development has the potential to provide significant economic and environmental benefits. The Government of Newfoundland and Labrador remains committed to the development of this significant energy resource in Labrador.

Principles Agreed to August 1, 2002

- Development of a 2,000 megawatt Gull Island project.
- Newfoundland and Labrador ownership of the production and transmission facilities in Labrador.
- A long term contract that reflects fair value and sharing of project risks, including an escalation provision that will reflect changes in value of electricity over time.
- Electricity produced by the project sold to Hydro Québec with recall rights to Newfoundland and Labrador.
- Maximizing the economic and employment benefits for both Newfoundland and Labrador and Québec.
- Meaningful partnership with the Innu in the development.
- Development in an environmentally sensitive manner.

Statistical Indicators Newfoundland and Labrador

Credit: Keith Nicol
The picturesque community of Woody Point, Bonne Bay on the province's west coast with the snow-capped Tablelands in the background

Real Gross Domestic Product by Industry, 2001

	1997$ Millions	% of Total
GOODS PRODUCING INDUSTRIES	**3,456.0**	**30.4**
Agriculture	54.1	0.5
Forestry & Logging	115.7	1.0
Fishing & Trapping	217.2	1.9
Mining & Oil Extraction	1,307.3	11.5
Manufacturing	732.2	6.4
Fish Products	187.4	1.6
Other Manufacturing	544.8	4.8
Construction	586.2	5.2
Utilities	443.3	3.9
SERVICES PRODUCING INDUSTRIES	**7,911.9**	**69.6**
Wholesale Trade	455.0	4.0
Retail Trade	748.3	6.6
Transportation & Warehousing	464.7	4.1
Finance, Insurance, Real Estate, Renting, Leasing, & Management of Companies	1,856.2	16.3
Professional, Scientific & Technical Services	317.4	2.8
Educational Services	773.4	6.8
Health Care & Social Assistance	983.1	8.6
Information & Culture Industries	551.9	4.9
Accommodation & Food Services	244.9	2.2
Public Administration	1,065.7	9.4
Other Services	451.3	4.0
ALL INDUSTRIES	**11,367.9**	**100.0**

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products.

Other Services includes Administrative and Support Services, Waste Management and Remediation Services, Arts Entertainment and Recreation, and unclassified services.

Source: Statistics Canada; Economic Research and Analysis Division, Department of Finance.

Employment by Industry, 2002

	Person Years (000s)	% of Total
GOODS PRODUCING INDUSTRIES	**46.2**	**21.6**
Agriculture	1.3	0.6
Forestry & Logging	1.0	0.5
Fishing & Trapping	8.4	3.9
Mining & Oil Extraction	5.3	2.5
Manufacturing	17.1	8.0
Fish Products	7.9	3.7
Other Manufacturing	9.2	4.3
Construction	10.3	4.8
Utilities	2.8	1.3
SERVICES PRODUCING INDUSTRIES	**167.7**	**78.4**
Wholesale Trade	5.9	2.8
Retail Trade	32.9	15.4
Transportation & Warehousing	11.0	5.1
Finance, Insurance, Real Estate & Leasing	7.7	3.6
Professional, Scientific & Technical Services	8.1	3.8
Management, Administrative & Other Support	8.5	4.0
Educational Services	18.0	8.4
Health Care & Social Assistance	30.2	14.1
Information & Culture Industries	6.8	3.2
Accommodation & Food Services	12.4	5.8
Public Administration	15.9	7.4
Other Services	10.4	4.9
ALL INDUSTRIES	**213.9**	**100.0**

Source: Statistics Canada; Economic Research and Analysis Division, Department of Finance.

Major Capital Projects

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
COMMERCIAL/RESIDENTIAL				
Adult Community Living	50.0	1996/2008	19	Karwood Estates - construction of a self-contained adult (45+) community, including houses, apartments, recreational infrastructure, medical facilities and retail space. Situated on a 73-acre development. Projected expenditures of $0.5 million for 2003. (Paradise)
Affordable Housing Program	30.3	2001/2007	N/A	The objective of this program will be to increase the supply of affordable housing in Newfoundland and Labrador by providing grants for housing projects. The $30.3 million figure may include non-capital spending. Federal/Provincial cost-shared. (Various locations)
Building Redevelopment	4.0	2002/2003	19	King George Properties Inc. - refurbishment and revitalization of the 1912 King George V Building into a boutique hotel. (St. John's)
Churchill Square Condominium Complex	5.0	2003/2004	19	SBC Developments Inc.- construction of 24 units, ranging in size from 1,150 - 1,350 sq. ft. Development includes elevator and wheel chair access, as well as meeting and common rooms, exercise facilities, and a barbeque pit. (St. John's)
Condominium Development	4.0	2003	19	Myles-Leger Ltd. - construction of 22 condominiums to be named "McKinlay Place". (St. John's)

Credit: Dave Hoddinott
Artist sketch of McKinlay Place, St. John's

Condominium/Retail Building Construction	2.2	2003	19	Design Alliance - construction of a mixed-use building in the downtown area. First floor will be commercial space for 3-4 retailers. Upper level will consist of 17 residential units. (St. John's)
Commercial Building Construction	1.5	2003	19	Cabot Development Corporation - construction of a 9,000 sq. ft. building intended for commercial use. (St. John's)
Commercial-Retail Land Development	2.0	2002/2005	8	Town of Deer Lake - the development of a business park. (Deer Lake)
Emergency Shelter	1.0	2002/2003	19	St. John's Native Friendship Centre - construction of a 10 room, 20 bed emergency shelter for aboriginal people. Primarily funded through HRDC, with partial funding from Newfoundland and Labrador Housing Corporation. (St. John's)

Major Capital Projects

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Establishment of the Community of Natuashish	150.0	1997/2003	1	Relocation of the Innu community of Davis Inlet to Natuashish, Sango Bay. To be completed by the end of 2003. Federal funds. (Natuashish)
Housing Lot Development	3.0	2001/2003	19	Country Gardens Inc. - development of 85 one-acre lots to be called "Country Gardens". Infrastructure development includes roads, power lines, and drainage system for entire site. Phase I, consisting of 30 lots, is complete. Phase II, consisting of 55 lots, will be completed later this year. (Portugal Cove - St. Phillips)
Property Redevelopment	12.0	2002/2005	19	Myles-Leger Ltd. - redevelopment of the Belvedere property. Project has five phases. Phase II, the construction of the "McKees Grove" subdivision, will be completed this year and Phase III, the construction of a new apartment building, will begin. Planned expenditures of $6.5 million in 2003. (St. John's)
Provincial Home Repair Program	10.5	2003/2004	N/A	Newfoundland and Labrador Housing Corporation - a combination grant/loan program to aid low-income households with home repairs. Federal/Provincial cost-shared. (Various locations)
Seniors' Complex	6.0	2002/2004	19	Squirrel Run Developments Limited - construction of 50 housing units to be named "The Meadows". Phase I is scheduled to be completed by Spring 2003. Phase II is planned to begin in 2003 and finish in 2004. (St. John's)
Townhouse Development	3.5	2003/2004	19	COBeLstone Development Limited - construction of 24 townhouse units to begin in Fall 2003. Projected expenditures of $0.9 million for 2003. (St. John's)
Townhouse Development	2.3	2002/2003	19	Riverside Developers - construction of 16 executive townhouses to be named "Waterford Hamlet". (St. John's)
Youth Services Centre and Shelter	1.5	2003	19	Choices For Youth - construction of a youth services centre and shelter for men ages 16-29 years. Centre will house Choices for Youth, Community Youth Network, and Youth and Family Services, a division of Health and Community Services. Shelter will accommodate nine men at a time. Funding provided federally through the Supporting Communities Partnership Initiative. (St. John's)
EDUCATION				
Building Extension	5.3	2002/2003	19	National Research Council of Canada - extension to the Institute for Marine Dynamics at Memorial University's St. John's campus. Federal funds. (St. John's)
Building Renovations	2.5	2002/2004	19	College of the North Atlantic - renovations to address life safety hazards at the Prince Phillip Drive campus. (St. John's)
Construction Industry Training Facility	1.5	2003	19	Regional Council of Carpenters and Millwrights - construction of a new training facility to replace the current one located in Mount Pearl. The new building will be 20,000 sq.ft. and will provide comprehensive carpentry and millwright training programs. (Paradise)
Exhibition Centre	3.4	2003/2004	8	Memorial University of Newfoundland - construction of a new cultural exhibition centre at Sir Wilfred Grenfell College. Provincial funds. (Corner Brook)

Major Capital Projects

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Francophone School/ Community Centre Development	5.4	2003/2004	19	Construction of a building to house a K-12 francophone school and a francophone community centre. Funded by the Newfoundland and Labrador Education Investment Corporation ($2.4 million) and by Federal Canadian Heritage ($3.0 million). (St. John's)
Inco Innovation Centre	10.0	2002/2004	19	Inco Limited/Voisey's Bay Nickel Company - development of an Innovation Centre in collaboration with Memorial University. The centre will focus on education and research in mining exploration and metallurgical processing techniques and will be located in the former Thompson Student Centre at Memorial University. Inco contribution of $10 million for capital costs and $1 million per year for 10 years to cover operational costs. (St. John's)
School Construction	176.9	1997/2004	N/A	Activity includes the construction of new educational facilities and renovations, extensions and purchasing of new equipment for existing facilities. Funded provincially through the Newfoundland and Labrador Education Investment Corporation. (Various locations)
ENVIRONMENTAL				
Environmental Clean-Up	81.0	1996/2004	18	Clean-up of the former U.S. Naval Base. Projected expenditures of $8 million for 2003. Federal funds. (Argentia)
Environmental Improvements	500.0	1996/2006	15	North Atlantic Refining Ltd. - productivity and environmental improvements including reducing sulphur dioxide emissions. $50 million to be spent in 2003. (Come by Chance)
Mine Site Decommissioning and Environmental Restoration	17.0	2002/2004	10	Clean-up and restoration of the former Hope Brook Gold Mine site. Provincial funds. (Hope Brook)
Sewage Treatment Plant	93.0	2003/2009	19	Construction of a primary sewage treatment plant for St. John's, Mount Pearl and a portion of Paradise. Phase I is complete. Phase II begins this year. Projected expenditures of $10 million for 2003. 1/3 provincial funding, 1/3 federal funding, 1/3 municipal funding. (St. John's)
FORESTRY				
Forest and Agriculture Access Roads	4.0	2003/2004	N/A	Construction of access roads on Crown land. Provincial funds. (Various locations)
Woods Operation and Sawmill	1.5	1998/2004	1	Postmill Lumber Incorporated - construction of forest access roads and implementation of an integrated saw mill. There are 7 km of roads completed to date, with 3 km remaining. Funded initially through the Strategic Regional Development Agreement and currently through a variety of sources including Labrador Inuit Development Corporation and Atlantic Canada Opportunities Agency. (Postville)

Major Capital Projects

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
HEALTH CARE/LONG TERM CARE				
Fogo Island Health Centre	11.5	2002/2005	14	Construction of a new hospital. Provincial funds. (Fogo Island)
Grand Bank Health Centre	17.5	2002/2005	16	Construction of a new medical clinic and nursing home. Provincial funds. (Grand Bank)
LIHC Regional Office	2.5 - 2.7	2002/2003	1	Labrador Inuit Health Commission - relocation of the LIHC regional office to Rigolet from North West River. Infrastructure includes the construction of a 13,000 sq. ft. building and 10-15 houses to accommodate relocated employees. Federal funds. (Rigolet)
Personal Care Home Facility	1.4	2002/2004	4	Newfoundland and Labrador Housing Corporation - construction of new 20 bed, 880 sq.meter personal care home facility. Provincial funds. (Mary's Harbour)
Sir Thomas Roddick Hospital	34.5	2001/2003	9	Construction of a new hospital to replace the existing facility. Provincial funds. (Stephenville)
INDUSTRIAL/MANUFACTURING				
Aquaculture Expansion	5.0	2003	13	North Atlantic Sea Farms - Fish farming equipment expenditures aimed at increasing salmonid production. (Bay d'Espoir)
Butane Storage Facility	19.0	2003/2004	15	North Atlantic Refining Limited - facility includes a 300,000 barrel storage tank, as well as auxiliary facilities such as a butane dryer system, a refrigeration system, an instrumentation control system, a hydrocarbon detection system and other associated infrastructure. (Come by Chance)
Cod Hatchery Development	3.5	2002/2003	17	Northern Cod Ventures - construction of a cod hatchery is 50% complete. The remaining portion is scheduled to be completed in 2003. Private/Provincial/Federal funds. (Bay Roberts)
Crab Plant	5.0	2002/2005	6	Englee Seafoods Limited - construction of a new crab plant. (Englee)
Facility Modernization	20.0	2003	13, 16	Fishery Products International - modernization of three primary groundfish processing plants. (Marystown, Fortune, Harbour Breton)
Marine Vessel Repair Facility	1.2	2003	17	Dawe's Welding & Sons Ltd. - construction of a new building to house facilities for fibreglassing, painting, and sandblasting operations for marine vessels. (Harbour Grace)
Particle Board Manufacturing Plant	8.2	2000/2003	6	Wood Products Industries Ltd. - construction of a particle board manufacturing plant. Private/Provincial/Federal funds. (Roddickton)
Seal Plant/Tannery	1.0	2002/2003	17	Carino Company Limited - expansion of existing seal processing plant in South Dildo to enable the tanning of seal pelts. (South Dildo)
Stone Cutting Plant	3.5	1999/2003	1	Torngait Ujaganniavingit Corporation - construction of a stone cutting plant to produce tombstones, tabletops and other furniture items from Grey Anorthosite stone with flecks of blue Labradorite provided by the quarry in Ten Mile Bay. Funded

Major Capital Projects

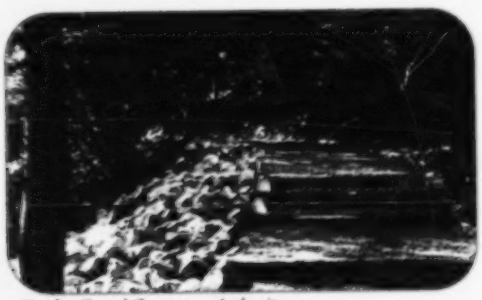
Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
				privately and through Atlantic Canada Opportunities Agency. (Hopedale)
MINING				
Capital Expenditures	80.0	2003	2	Iron Ore Company of Canada - expenditures for various improvements including asset replacement and increased production capacity. (Labrador City)
Mine and Mill Reactivation	1.0	2003	14	Beaver Brook Resources Limited - Reactivation of the antimony mine and mill at Beaver Brook, located 43 km southwest of Glenwood. (Beaver Brook)
Voisey's Bay Mineral Development	2,900.0	2002/2031	N/A	Inco Limited/Voisey's Bay Nickel Company - Includes development and operating expenses at the Voisey's Bay site (mine, mill/concentrator, associated infrastructure). Also includes construction of demonstration hydromet processing plant and commercial processing facilities at Argentia and Inco's commitment to establish an Innovation Centre (see separate project heading) at Memorial University. (Various locations)
MUNICIPAL INFRASTRUCTURE				
Canada-Newfoundland and Labrador Infrastructure Program	153.7	2000/2006	N/A	Program to assist municipalities in improving infrastructure. 1/3 federal funds, 2/3 provincial/municipal cost-shared according to municipal financial capacity. Expenditure of $24 million is anticipated for 2003/04. (Various locations)
Canada/Newfoundland Inuit Communities of Labrador Contribution Agreement	10.5	2003/2004	1	Program to provide water and sewer for coastal communities of Labrador and other community improvements. Expenditure figures shown are for the 2003/04 fiscal year. Federal share is $5.6 million, provincial $4.9 million. (Labrador)
Centennial Square Revitalization Project	6.2	2002/2004	19	City of Mount Pearl - redevelopment and improvement of the Centennial Square business area, including additional parking, improved traffic circulation, and enhancement of the City Centre. Projected expenditures of $2.0 million for 2003. 50/50 Provincial/Municipal funds. (Mount Pearl)
Fire Station and Training Tower	5.7	2003/2004	19	Construction of a three level fire station and a training tower. Building will house administration offices of St. John's Regional Fire Department as well as the 911 communication centre. Project funded through the Multi-Year Capital Works Program. (St. John's)
Multi-Year Capital Works Program	100.0	2002/2005	N/A	Program to assist municipalities in construction of local infrastructure. Provincial/Municipal 50/50 cost-shared program. (Various locations)
Municipal Capital Works Program	63.0	2002/2005	N/A	Program to assist municipalities in construction of local infrastructure. Provincial funds of $42.0 million and municipal funds of $21.0 million. Projected expenditures for the 2003/04 fiscal year are $21 million. (Various locations)
Tourism Community Infrastructure	1.0	2002/2003	7	Creation of community infrastructure for the purpose of tourism development. Project includes signage, viewing points, interpretive sites and trail development. Funded through Atlantic Canada Opportunities Agency. (St. Paul's to Bellburns)

Major Capital Projects

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Town Centre	9.5	2003/2004	19	Town of Conception Bay South - construction of a new town centre, which will include administration offices, a new library, and a community centre. $6.0 million funded through the Multi-Year Capital Works project. (Conception Bay South)
Water Reservoir	2.3	2002/2003	19	City of St. John's - Construction of a 10,500 cubic meter pre-stressed, concrete water reservoir. (St. John's)
Water Treatment Plant	30.0	2002/2004	19	City of St. John's - Construction of a water membrane filtration plant and balancing reservoir. Planned expenditures of $7.0 million for 2003. (St. John's)
OIL AND GAS				
Drilling Mud/Fluid Plant	3.0	2002/2003	19	QMAX Solutions Inc.- the construction of an office/warehouse building, storage tanks and a mixing tank to service the well drilling activities of the offshore oil industry by mixing and reconditioning drilling fluids. (Mount Pearl)
Terra Nova and Hibernia	500.0-600.0	2003	N/A	Hibernia Management and Development Company Ltd. and Petro-Canada - figures include capital drilling costs for the current year. (Offshore Newfoundland)
White Rose Oil Development	2,000.0	2000/2005	N/A	Husky Oil Limited and Petro-Canada - figures are pre-production capital only. Includes the construction of production vessel and modules for vessel; excavation of glory holes; drilling; fabrication and installation of subsea systems; and hook-up and commissioning of vessel. (Various locations)
TOURISM/CULTURE/RECREATION				
Golf Course	2.5	2002/2004	17	Construction of a 9-hole golf course to be named "Pitcher's Pond Golf Course". Municipal funding. (Whiteway)
Golf Course Expansion	1.5	2003	12	Grand Falls Golf Club - expansion of existing course (from 9 to 18 holes). Funding from various sources, including the Strategic Regional Diversification Agreement, HRDC, Town of Grand Falls-Windsor, and the Golf Club. (Grand Falls-Windsor)
Golf Course, Lodging Rentals and RV Park	1.2	2002/2004	15	Completion of golf course and construction of a clubhouse, maintenance building, 3 lodges/cabins and an RV park. (Summerville)
Provincial Archives, Museum and Art Gallery	47.5	2000/2004	19	"The Rooms" will be a permanent home for provincial artifacts, archival materials, and local art. The new building will be over 150,000 sq. ft., including exhibition galleries, meeting rooms, lecture halls, and a multi-media centre. Provincial funds. (St. John's)
Resort and Golf Course	100.0	1999/2004	8	Humber Valley Resort Corporation - construction of a 600 acre, 304 chalet resort and 18 hole golf course on the north side of the lower Humber River. Main complex will include a restaurant, conference area, and an aquatic centre. Projected expenditures of $8.0 million in 2003/04 fiscal year. (Humber Valley)
Restoration Project	1.0	2001/2006	19	Anglican Cathedral of Saint John the Baptist - restoration and replacement of masonry. (St. John's)

Major Capital Projects

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Tourist Centre	1.5	2003	19	St. John's Port Authority - multi-use tourism and hospitality centre at Pier 7. (St. John's)
Walkway Network	20.4	1993/2003	19	Grand Concourse Authority - the continuation of an elaborate walkway system, including associated infrastructure. Funded by members of the Grand Concourse Authority, the Johnson Family Foundation, and Federal, Provincial, and Municipal governments. (St. John's, Mount Pearl, and Paradise)



Credit: Grand Concourse Authority
Walking trail along Long Pond, St. John's

TRANSPORTATION/DEFENCE

Coastal Marine Infrastructure	4.0	2002/2004	1, 4	Improvements to marine infrastructure in coastal Labrador. Funded through the Labrador Transportation Initiative Fund and Comprehensive Economic Development Agreement. (Labrador)
Harbour Development	12.0	2003/2004	N/A	Fisheries and Oceans Canada - ongoing program of small craft harbour maintenance, repair and replacement of wharves, breakwaters, slipways and other marine infrastructure. Federal funds. (Various locations)
Labrador Transportation Initiative	290.0	1997/2004	N/A	Completion of phase II of this project, the construction of the Trans Labrador Highway from Red Bay to Cartwright including access roads to St. Lewis, Charlottetown and Pinsent's Arm and commencement of phase III, construction of the highway from Cartwright to Happy Valley-Goose Bay. Projected expenditures of $26.2 million in the 2003/04 fiscal year. Funded through the Labrador Transportation Initiative Fund. (Labrador)
Lightstation Revitalization Program	19.5	1999/2004	N/A	Canadian Coast Guard - Fisheries and Oceans Canada - repair and renovation of up to 24 lightstations. Federal funds. (Various locations)
Newfoundland Transportation Initiative	640.0	1988/2004	N/A	Expenditures targetted towards upgrading the province's highway transportation infrastructure. Expenditures for the 2003/04 fiscal year targetted at $9.7 million. Federal funds. (Various locations)
Roads Improvement and Construction	23.0	2003/2004	N/A	A variety of projects undertaken to maintain roads, bridges and causeways. Provincial funds. (Various locations)

Major Capital Projects

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Strategic Highway Infrastructure Program	23.0	2003/2006	N/A	Program to allow improvements to roads on the National Highway system, primarily on the Trans Canada Highway. Projects include construction of an overpass at the east access to Port aux Basques, replacement of the Deer Lake overpass, and construction of an interchange and underpass at the Long Harbour/Bellevue intersection. Projects are 50/50 cost-shared between the federal and provincial government. Projected expenditures for the 2003/04 fiscal year are $15.0 million. (Various locations)
Trans Labrador Highway Phase III	100.0	2003/2009	3, 4	Construction of the Trans Labrador Highway from Cartwright to Happy Valley-Goose Bay. Estimated expenditures of $17.5 million for 2003/04 fiscal year. (Labrador)
UTILITIES				
Churchill River Power Project (Gull Island)	4,000.0	2006-07/2012-13	2, 3	Newfoundland and Labrador Hydro - project configuration includes a 2,000 megawatt generating station with four generating units, a rockfill dam and spillway at Gull Island, as well as new transmission lines in Labrador and Québec. (Labrador & Québec)
Electric Utility Capital Expenditures	70.1	2003	N/A	Newfoundland and Labrador Hydro - includes upgrades and improvements to distribution systems, improvements to generating facilities, new microwave system, purchases of new equipment and expenditures on the Granite Canal hydroelectric project ($32.6 million in 2003). (Various locations)
Electrical Utility Capital Program	55.3	2003	N/A	Newfoundland Power Inc. - figures include capital expenditures for replacing deteriorated electrical equipment and meeting service and energy demands. (Various locations)
Hydroelectric Construction and Refurbishment	65.0	2002/2003	12	Fortis Inc./Abitibi-Consolidated Inc.- construction of a 27 megawatt generating station in Grand Falls-Windsor and replacement of six turbines at the Bishops Falls facility. (Grand Falls-Windsor)
Telecommunications/IT	70.0	2003	N/A	Aliant Inc. - expenditures related to telecommunications and information technology improvements. (Various locations)
OTHER				
Church Construction	2.7	2003/2004	19	Construction of a new church building to house Elim Pentecostal Tabernacle. Multi-purpose building will include a sanctuary, gymnasium and classrooms. Private funds. (St. John's)
RCMP Capital Program	2.4	2003/2004	N/A	Royal Canadian Mounted Police - housing construction, environmental projects, building upgrades as well as construction of a new district office in Holyrood to be completed in 2004. (Various locations)

Note: Only those projects with an estimated capital cost of $1 million or more are included in this report.